



# The Post-Peak Profit Squeeze

Q1 priorities for Retail CEOs & CFOs



**January isn't the calm after peak - it's when the true cost of peak shows up.**

Clearance, returns, labour strain, supplier uplifts and quiet operational leakage all land at once. The data reflects the fragility: UK retail sales volumes rose 0.4% in December 2025 after a softer November (ONS), while Eurostat's first estimate shows euro area/EU retail trade volume down 0.5% month-on-month in December.

As ERA consultant J.D. Heiden put it: **"A retail store can't move."** When your cost base is visible and fixed, everyone knows where to find you - and plenty of stakeholders will try to take their slice.





## Where Margin Leaks After Peak

Retail is an industry where the easy savings get competed away quickly. “They get people knocking on the door all the time, trying to bust down the rates,” J.D. said, because “there’s a lot of information out there” and plenty of suppliers willing to undercut.

So, when leaders feel like they’ve already squeezed everything, the opportunity usually isn’t “another renegotiation”.

That’s why J.D. advises returning to the same practical habit: compare December to January. It sounds almost too basic - until you remember how many suppliers see January as permission to quietly “bump up a cost for this or bump up a cost for that”.

“Take last January’s and compare it to this January,” J.D. said. “What’s changed between now and then?”

You’ll often be surprised by what’s quietly shifted - and it’s rarely a dramatic price rise. It’s the small changes that stick unless someone is actively looking for them.

J.D. described what happens when you audit the back of the business:

*“A lot of them have phone lines that have been there for years. One company had 50 phone lines and 35 of them were cancelled. They didn’t even know they were there.”*

This is what cost intelligence is for: spotting creep, exceptions and roll-forwards before they become “normal”.

# The Returns Wave

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If there's one reason January feels like a second wave, it's returns. US retail is modelling \$850bn of merchandise returns in 2025, with online return rates materially higher than store-based sales.

Dileep Kulkarni, who sees retail through a small-parcel lens in the US, described it simply:

*"November and December are big months for shipments and then it drops - but January mostly sees the returns."*

It's important to remember that returns are not a customer-service footnote. They're reverse logistics volume, warehouse labour swings and restocking decisions - all happening while leaders are trying to reset inventory and cash after peak.

Most networks already plan for the outbound surge, but fewer run returns with the same discipline. Dileep pointed out how even the carriers manage the volatility: *"Most of the businesses hire temporary people to getthrough."*

*Even FedEx and other couriers just employ temporary staff for two or three months."*

If you run retail at scale, you already know returns are painful. The shift now is that they're becoming structural. Consumers are more willing to order multiple items and send half back, and e-commerce makes that behaviour frictionless. The US story keeps coming back to the fact that nearly everyone now has an online channel - "even the grocery stores now have delivery online," Dileep said - which multiplies parcels, touchpoints and complexity.

When January is return-heavy, the real operational question is: how do we stop returns becoming the thing that quietly erodes margin all quarter?



# The New Logistics Reality

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The shared reality is that although retail isn't standing still, it is getting more complex faster than most operating models are adapting.

Dileep talked about the logistics shift happening in plain sight. Amazon built its own infrastructure. Now *"the big retailers like Walmart are looking to do that."*

Walmart is "utilising gig drivers", essentially building a delivery network that bypasses traditional carriers.

At the same time, new parcel players - including startups like UniUni and established operators like DHL - are pushing in.



# Tariffs: the whiplash that distorts cash and inventory

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Tariffs don't just show up as a line item - they change behaviour.

Dileep described it as "a constant fluctuation" in the US, where the expectation of tariffs pulled purchasing forward: companies "bought a lot of goods" early, which "changed the profile heavily" and "required a lot of warehouse space... and a lot of capital investment."

The harder part is the stop-start uncertainty. Threats go up, then down, then up again and in Dileep's words "everybody is somewhat jittery constantly to say what's the next shoe to fall."

That uncertainty becomes operational: inventory posture, cash tied up, storage decisions, and the timing of margin pressure - often hitting right when retailers are trying to "reset" after peak.

# Payments: the leakage you don't see

The post-peak period is when retailers finally have the headspace to ask: what are we paying for, and are we paying it correctly?

J.D. made an important distinction. In-store card-present transactions are relatively “clean” operationally:

*“If you stick your card inside that machine... there's really not a lot that can go wrong with that transaction, so you tend to get the best rate.”*

But e-commerce is different. “E-commerce is a place where ERA Group really can help quite a bit,” J.D. said, because “a lot of people don't have things set up properly. They're not passing the right information.”

And “not passing the right information” is exactly the kind of preventable leakage that can sit in the background for months - quietly dragging contribution margin on every transaction.

J.D.'s point is that these aren't always big strategic changes - they're often “something relatively small that's easy to miss” but can still make “a pretty significant difference” to transaction costs.



## Europe and the UK

When you pull in the UK and European perspective, the pressure story becomes sharper because it's not only competitive - it's also structural.

The UK's National Living Wage is set to rise to £12.71 from 1 April 2026. The question is whether retailers treat it like a blunt hit to absorb, or a forcing function to rethink labour planning, store processes, and cost-to-serve.

As ERA consultant Rikesh Nichani put it: *“transport, energy, compliance - and a constant layer of geopolitical uncertainty - are all landing in the supply chain at the same time.”*

Retailers are trying to protect price perception, but the reality is the cost-to-serve is still rising underneath. Labour adds another squeeze. Rikesh noted front-line wage inflation hits immediately, while fulfilment keeps getting harder as expectations rise.

At the same time, demand is less predictable. “Traditional models are struggling,” leading to overstock, stockouts and heavier markdowns.

Brexit remains a practical drag too: more admin, more changes to track, more friction in cross-border movement.

And supply chain disruption hasn't disappeared. Rikesh pointed out that route disruptions can still add time and cost, sometimes forcing expensive choices just to keep shelves stocked.

The thread through all of it is visibility. Systems don't always join up, so retailers struggle to see inventory and inbound movement clearly enough to act fast.



## From warehouse to boardroom

ERA consultant Daniel Sánchez Latorre brought a different angle for Spain. It is less “what’s happening in the warehouse” and more “what’s happening in the boardroom”.

In his words, boards aren’t talking enough about strategy - specifically, not enough about “gloeconomy” and how geopolitical events, trade positions, and policy swings translate into business impact, often faster and more aggressively than before. His conclusion was simple - companies need to become “much more flexible, quicker.”

Tariffs, trade rules, sourcing risks, currency swings, and consumer behaviour shifts can roll straight into inventory, pricing and

service decisions. Daniel also drew a direct line between digital ambition and risk. *“Risk management for cyber security used to be important before,” he said, “but it’s still much more important now.”*

That’s not just opinion. Verizon’s 2025 Data Breach Investigations Report includes a retail snapshot, reinforcing that retail remains a consistent target and that basic patterns like credential theft continue to matter.

# What leaders should do next

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## **1) Treat January as an audit window, not a recovery month.**

J.D.'s simplest advice is the most actionable. Compare December to January, then compare this January to last January. He called out the “first year” effect where suppliers quietly “bump up a cost for this or that”. You won't catch that by instinct - you catch it by comparison.

## **2) Run returns like a supply chain.**

If January “mostly sees the returns”, then returns deserve a weekly operating rhythm: routing, disposition, labour planning, fraud controls, and clear decisions on policy trade-offs.

## **3) Pick one leakage area in omnichannel and fix it properly.**

For many retailers, payments is a strong candidate because the wins can be meaningful and the root cause is often configuration. “Not passing the right information” shouldn't be an acceptable reason to pay more per transaction.

## **4) Stress-test your delivery economics against the market that's coming, not the one you're used to.**

If the biggest players are building alternative networks (including gig delivery) and new parcel players are expanding, the competitive baseline is shifting. Even if you don't copy those models, you need to price and design your promise with eyes open.

## **5) Upgrade risk to an operating model discipline.**

Boards are being pulled into “groeconomy” and into cyber resilience for good reason. When uncertainty is normal, speed and resilience become strategic capabilities - not nice-to-haves.





## Where ERA fits: Cost Intelligence

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Post-peak is the moment when retail leaders need clarity, not noise.

This is where cost intelligence becomes practical: visibility that helps you prioritise action, not just “report spend”.

Costs don't always rise because someone approved a change. They rise because systems are messy, suppliers test increases, contracts roll forward, and complexity creates places for costs to survive unnoticed.

**If you want to pinpoint where margin is leaking in your operation - and what to fix first - speak to an ERA retail specialist for a rapid, no-obligation cost health-check.**



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